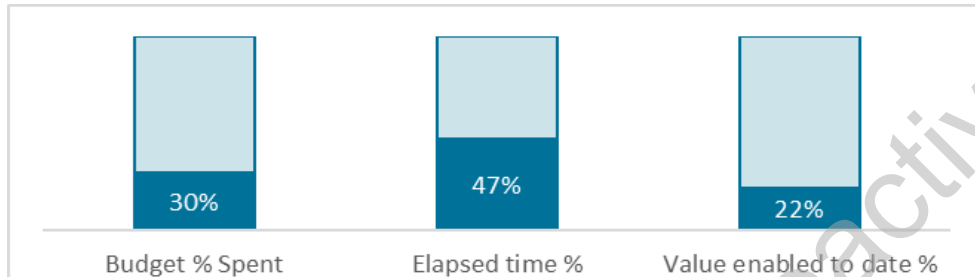


STEP update for Joint Ministers – Programme Increment 10

12 May to 10 August 2021

Key metrics

Overall 	Increment 10	Increment 9
Delivery		
Financial		
People		
Risk and Assurance		
Stakeholders		



Expenditure type (\$m)	Full programme		Spend to date (since Nov18)		21/22 year to date		
	Approved funding (ORA 85)	Modelled cost (budget)	Actual	% of Modelled cost	Actual	Budget	Var
Capital expenditure	128.2	116.2	35.4	30%	2.0	2.2	0.2
Operating expenditure	18.7	23.8	7.4	31%	0.5	0.7	0.2

Expenditure to 31 July 2021

Key Messages

Overall programme health was rated Amber. The Amber status reflects that we have concerns (as noted previously to joint Ministers in LINZ BRF 21-551) and we have actions underway to address them:

- a plan to address recruitment and retention issues is being developed

- the plan to transition the Landonline database has been revised and approved by the Board (the transition is scheduled for April 2022)
- a plan to deliver the new simple house sale and purchase transaction functionality has been revised and approved. Additional costs can be managed within the overall programme budget.

Key to a return to Green status is the work under way to update the size and cost of remaining initiatives based on experience to date. This work will be completed by December. Reforecast costs will inform a request for financial approvals LINZ will make to joint Ministers in February 2022. LINZ's response to recruitment and retention issues will be an important consideration as it is likely to involve more use of contractors who make up 32% of the current programme workforce.

Finance & Value enabled

The programme is operating within budget. 30% of the programme's capital budget had been spent by 31 July 2021.

Value delivered by the programme overall stood at 22%. Value delivery is expected to increase from mid-2022 when foundational work is completed, and new functionality is released to customers.

Delivery – Core System Rebuild

Eighty-nine percent of planned work was completed during the increment (last 3 months). Two pilots of new survey and title functionality based on the new platform were launched. Feedback on both has been very positive.

Delivery – Search and Notices

Uptake of new property search and property transaction notification services has increased markedly. Engagement with territorial authorities, banks, Landonline customers to increase uptake is ongoing. Transitioning people to these services is important because it improves access to

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information, and it takes people off the current system and so reduces the risks associated with access to the old system (risk reduction is a key imperative of the overall programme).

Finance ●

Approximately \$35 million had been spent by 31 July 2021 since November 2018. This is 30% of the programme’s modelled capital cost (at the 50th percentile) of \$116 million. \$29 million of the expenditure has been funded from LINZ capital reserves.

Expenditure type (\$m)	Full programme		Spend to date (since Nov18)		21/22 year to date		
	Approved funding (QRA 85)	Modelled cost (budget)	Actual	% of Modelled cost	Actual	Budget	Var
Capital expenditure	128.2	116.2	35.4	30%	2.0	2.2	0.2
Operating expenditure	18.7	23.8	7.4	31%	0.5	0.7	0.2

LINZ has received approvals from joint Ministers to draw on \$60.4 million of the capital funding available for the programme. Originally expected to maintain the programme until December 2021, lower expenditure than forecasted means approved capital funding will now maintain programme activity to mid-2022. A request to joint Ministers for funding to maintain the programme until mid-2023 will be made in February 2022.

Making the funding request in February means it will include all the updates to the size and cost of the remaining initiatives needed to complete the programme, which is underway; and the potential impact of recruitment and retention risks on programme delivery timing. At present, the programme is still expected to be delivered within the overall \$128.2 million funding envelope approved by Cabinet (which includes contingency funding of \$12 million).

People ●

	April 2021	May 2021	June 2021	July 2021
Contractors	39	40	41	41
Open term	69	72	73	74
Fixed term	14	12	12	12
Total	122	124	126	127

Current IT job market conditions has affected workforce retention and recruitment, which is impacting overall delivery. A mitigation plan is being developed and will likely involve more use of contractors (currently 32% of the workforce). One mitigation and benefit is a decision to employ more IT people in Christchurch instead of relying on IT people in Wellington.

Delivery ●

Core IT system rebuild

Progress continues to be made on foundational initiatives started in August 2020.

- The delivery of eighty-nine per cent of all work committed to during increment 10 reflects the programme’s focus on improving IT developer teams’ work planning and delivery expertise.
- The first two pilots of new survey and title functionality, which rely on the new system, were delivered to customers. One allows conveyancers to conduct mortgage discharges and the other enables surveyors to digitally capture and validate survey data. Initial feedback from users about both has been positive. .
- A revised plan for migrating the Landonline database of property information was approved. An independent review validated the approach being taken and recommended more time be taken to improve the management of risks associated with the transition.

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Delaying this complex and crucial aspect of the programme to April 2022 does not affect the overall programme delivery timeline or cost.

- A revised plan for delivering the foundational Titles initiative was approved. Time and cost were re-estimated based on a greater understanding of the work required than was possible when originally estimated. The initiative will cost \$5 million more than this initial estimate and will now be completed in May 2022. This cost increase is manageable within the overall budget.

Search and Notices products – customer adoption

- Registered web search (a modern web-based search application allowing registered Landonline customers to search for and purchase products such as a title record from any device) increased by 35% of customers by volume, compared with 20% in March 2021.
- Public land record search (a web-based service offering easier and cheaper public access to property information, e.g., a land title or survey plan): a 78% increase in new customers was recorded. LINZ expects 100,000 land record orders by December 2021 at the current rate (compared with the 7,000 orders anticipated by the 2018 Programme Business Case).
- Notice of Change of Ownership (a new service that provides automated notifications to territorial authorities when a property transaction is completed, enabling accurate updating of rating information): in use by 16 of 67 territorial authorities (up from four in March 2021) and 60 per cent of conveyancers in participating regions. The target for onboarding all councils has been extended to March 2022 as many councils need further time to adapt business processes or systems.
- Notice to Mortgagee (a new service that sends automatic notifications to participating financial institutions when a mortgage is registered on a title): in use by 10 financial institutions, up from three in March 2021, with full uptake by major banks targeted for June 2022.

Value enabled by work to date

To date the programme has delivered 22% of the value the programme is expected to generate, up from 17% in May 2021. This compares with expenditure totalling 30% of the programme budget. As expected, value delivery has slowed while the programme team is focussed on building the foundations of the core system.

The value enabled is determined from the assigned value points of each STEP initiative and how much of each initiative is completed:

Initiative	Value Points	Value enabled to date
Initiatives not yet started	701	
Titles – Simple House sale & purchase	26	16.38
Survey A – Import & validate LT survey	50	38.00
Survey B - Extending Survey User Interface	33	2.97
Database conversion	38	20.90
Common services – customer enablement	34	28.90
Business rules repository - B	6	0.48
Completed Initiatives	112	112.00
STEP total value points	1,000	219.63
Progress %		22%

Value delivery is expected to increase from mid-2022 when survey and title transaction functionality (based on the new core system) will begin being rolled out to customers.

Risk and Assurance ●

Three quality assurance reviews have been undertaken since May 2021. This included external independent reviews of the database migration strategy

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and IT architecture processes. Recommendations from the reviews are being implemented.

The third (internal) review was carried out by the programme team established to focus on programme delivery. This resulted in changes in operational support, leadership capacity, reporting metrics, standardisation of tools used by development teams, and clarifying roles and responsibilities.

An independent Treasury-led Gateway review in October 2021 will assess the programme’s performance against the programme business case and the likelihood of delivering benefits and outcomes.

Delivery risks: top risks monitored by the STEP Board

Risk	Mitigation	Current state	Resolution by
Actual cost materially differs from estimates	a) Develop and implement improved programme reporting b) Ongoing review of programme assumptions	Improved reporting is being developed and starting to highlight risks. Planned work underway to re-estimate effort to complete the programme as preparation for funding drawdown request (February 2022)	Ongoing
Inability to attract and retain resources	We are reviewing our approaches to recruitment in line with changes to market conditions	With closed borders there is a lack of IT skills coming into NZ. Many agencies are competing for resources to start new projects.	Ongoing

Cadence slower than is desirable	Integrated planning and improved reporting	The integrated plan gives us a forward-looking view of work. Improved metrics and reporting is providing an advance view of cadence.	Ongoing
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Stakeholder Engagement ●

LINZ continues to engage widely, within the constraints of the COVID lockdown, with stakeholders, including property lawyers, cadastral surveyors, territorial authorities and key data organisations, and attending (on-line during lockdown) events as sponsors, speakers, and participants. LINZ was a sponsor of both the recent Local Government NZ and Survey and Spatial New Zealand conferences where the opportunity was taken to showcase new services.

Focus of Programme Increment 11

- Maintain momentum and focus on the rebuild on the core system (we are now at the really complex stage of the programme)
- Establish a Christchurch delivery squad in response to constraints in the Wellington IT market
- Expand uptake of Search and Notice products.
- Complete periodic review of size and cost of remaining initiatives and update financial forecast in preparation for next funding draw down
- Preparations for next Gateway review
- Prepare progress update to Cabinet (due October 2021).